

Message Text

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ACTION EB-07

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USDOC FOR BEWT/TDAD/KIHL AND OEA

TEL AVIV FOR AMB

EXCON

E.O. 11652: NA
TAGS: BEXP, ESTC, UR
SUBJECT: IBM REPORTS TWO LARGE CONTRACTS WITH SOVIETS

1. LOCAL IBM MANAGER MERRILL AND IBM DIRECTOR OF USSR TRADE GROUP (FROM PARIS), IAN STEWART, TOLD COMATT DEC. 10 THAT FIRM VERY CLOSE TO CONCLUDING AGREEMENT WITH OLYMPIC COMMITTEE FOR SALE OF 370/148 COMPUTER FOR MEASURING AND PROCESSING 1980 OLYMPIC RESULTS. TOTAL VALUE OF CONTRACT WOULD BE \$7 MILLION. IN ADDITION, IBM SIGNED CONTRACT WORTH \$6 MILLION ON DEC. 2 WITH MINISTRY OF CHEMICAL INDUSTRY FOR DELIVERY OF TWO COMPUTERS TO MINCHEM INSTITUTES: A 377/155 COMPUTER TO BE EQUIPPED WITH CDC CORE AND PERIPHERALS, AND A 370/148.

2. COMPUTER FOR OLYMPIC COMMITTEE WOULD HAVE 20 TERMINALS AND WOULD BE INSTALLED AT LENIN STADIUM. MERRILL AND STEWART WERE AWARE THAT EXPORT LICENSING COMPLICATIONS COULD ARISE OVER QUESTION OF DISPOSITION OF COMPUTER AFTER OLYMPICS CONCLUDED. THEY SAID TALKS WERE CURRENTLY UNDERWAY WITH BOTH GOSSTROY AND MOSCOW WORLD TRADE CENTER TO ARRANGE FOR RELOCATION OF COMPUTER TO ONE OF THESE ORGANIZATIONS AFTER OLYMPIC

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GAMES. IBM INTENDS TO HAVE FULL DOCUMENTATION (HOPEFULLY INCLUDING

END-USER STATEMENTS FROM EITHER GOSSTROY OR WORLD TRADE CENTER) FOR LICENSE APPLICATION SUBMITTED TO OEA BY END OF FIRST QUARTER 1977, SINCE COMPUTER WOULD HAVE TO BE DELIVERED BY END OF 1977 UNDER TERMS OF CONTRACT. WE UNDERSTAND FROM MERRILL THAT IBM HAS ALREADY BEEN IN TOUCH WITH OEA CONCERNING THIS TRANSACTION, AND HAS RECEIVED A PRELIMINARY ADVISORY OPINION FROM OEA DATED SOMETIME IN SEPT. WHICH WAS "VERY FAVORABLE IN ITS THRUST."

3. MAJOR FLY IN OINTMENT REGARDING COMPUTER FOR OLYMPICS WAS LAST-MINUTE INSISTENCE BY DEPUTY CHAIRMAN M.Y. RAKOVSKIY OF GOSPLAN LATER ON SAME DAY (DEC. 10) THAT IBM MUST PROVIDE WRITTEN GUARANTEE STATING U.S. EXPORT LICENSE WILL BE GRANTED BEFORE SOVIETS WILL SIGN CONTRACT. ACCORDING TO MERRILL, RAKOVSKIY CLAIMS THAT FRG FIRM SIEMENS, OFFERING COMPARABLE EQUIPMENT, HAS ALREADY SUPPLIED A "GOVERNMENT GUARANTEE" STATING THAT EXPORT LICENSE WILL BE FORTHCOMING IF SIEMENS AWARDED CONTRACT. IBM REPS SAID THIS IS FIRST TIME SOVIETS HAVE EVER MADE SUCH A DEMAND. FIRM REPLIED THAT THEY UNABLE SUPPLY SUCH A LETTER SINCE LICENSE APPROVAL BEYOND IBM'S CONTROL.

4. STEWART AND MERRILL VERY CONCERNED THAT MAJOR CONTRACT MAY BE LOST TO SIEMENS BECAUSE OF GERMAN FIRM'S ALLEGED GUARANTEE TO SOVIETS AND SOUGHT OUR ADVICE AND ASSISTANCE. IN PARTICULAR, THEY WANTED TO KNOW WHETHER SIGNED CONTRACT HAD TO BE IN AND BEFORE IBM COULD MAKE APPLICATION FOR EXPORT LICENSE. QUOTING FROM SECTION 372.6 OF USDOC'S EXPORT ADMINISTRATION REGULATIONS (JUNE, 1976), WE TOLD THEM FIRM LETTER OF INTENT OR SIMILAR "ORDER" FROM SOVIETS WOULD BE SUFFICIENT TO BEGIN LICENSING PROCESS. ACCORDINGLY, IBM REPS ARE MEETING WITH ELORG OFFICIALS AGAIN DEC. 14 TO CLARIFY FTO INTENTIONS AND ATTEMPT SECURE FIRM ORDER.

5. COMMENT AND ACTION REQUESTED: REASONS FOR SOVIET DEMAND FOR LICENSE GUARANTEE UNCLEAR, BUT WE SPECULATE THEIR CONCERN OVER MEETING DEADLINES FOR OLYMPIC PREPARATIONS CAUSED GOSPLAN AND ELORG TO TRY AND SEEK ASSURANCES THAT EQUIPMENT WILL IN FACT BE AVAILABLE. THIS MAY BE ONLY TACTICAL PLOY, BUT WE WOULD BE INTERESTED IN USDOC/BEWT/OEA REACTION TO THIS REPORT, ESPECIALLY AS IT RELATES LIMITED OFFICIAL USE

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TO SPEED WITH WHICH IBM MAY REASONABLY EXPECT LICENSING DECISION ONCE FIRM ORDER FROM SOVIETS IN HAND AND LICENSE APPLICATION DOCUMENTS SUBMITTED.

6. FOR BONN: WE WOULD BE GRATEFUL FOR ANY INFORMATION EMBASSY MAY HAVE OR MAY OBTAIN AS REGARDS FRG GOVT'S POLICY IN BACKING UP LETTERS OF GUARANTEE SUCH AS THAT ALLEGED TO HAVE BEEN ISSUED BY SIEMENS IN THIS CASE. MATLOCK

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